Annual Report 1983

AGT

Innovative·Productive·Responsive

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AGT

Highlights

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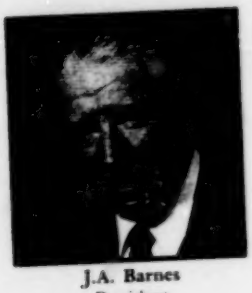
	1982
Plant Investment	$ 2 976 148
Capital Expenditures	$ 473 516
Subscriber Lines in Service	724
Long Distance Messages	205 420
Total Revenues	$ 825 346
Net Income (Loss)	$ (56 476)

(thousands of dollars)

AGT Commission

H.B. Hobbs
Chairman

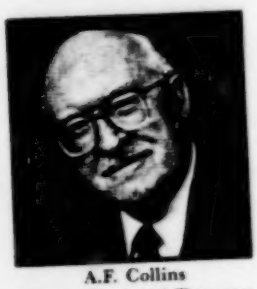


J.A. Barnes
President

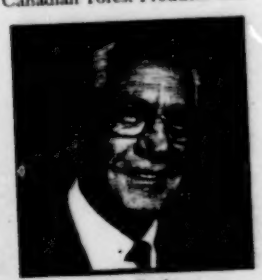
D.F. Baillie
Vice-President
Finance

R.A. Bickell
Grande Prairie
Vice-President
& General Manager
Canadian Forest Products Ltd.

J.W. Burrows
Calgary
President
Travacon Ltd.

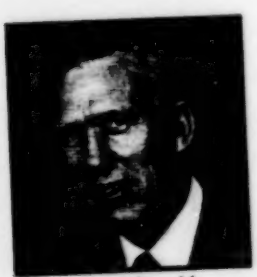


A.F. Collins
Deputy Provincial Treasurer



W.A. Graham
Edmonton
Chairman
Western Supplies Ltd.

V.A. MacNichol
Deputy Minister
Utilities and
Telecommunications



J.R. McDonald
Vice-President
Operations

H.M. Neldner
Vice-President
Corporate Planning
& Engineering

J. Szaszkiewicz
Vice- President
Marketing & Personnel

F.S. Weatherup
Lethbridge
Chairman
Saville Land
Developments Ltd.

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Alberta

UTILITIES AND
TELECOMMUNICATIONS

Office of the Minister

228 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3016

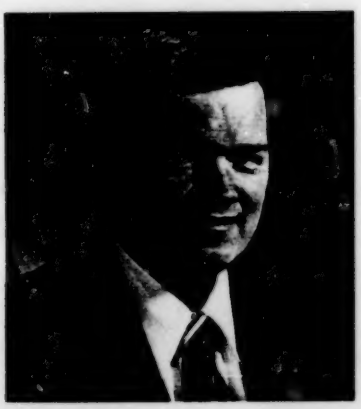
To His Honour
Frank C. Lynch-Staunton
Lieutenant-Governor of the Province of Alberta

Sir:

I have the honour to submit the Annual Report of Alberta Government Telephones for the year 1983.

Respectfully submitted,

Minister
Utilities and Telecommunications



Honourable R.J. Bogle
Minister of Utilities and
Telecommunications

Chairman's Report

1983, in spite of a difficult economic environment, was one of the most stimulating in the 77-year history of AGT.

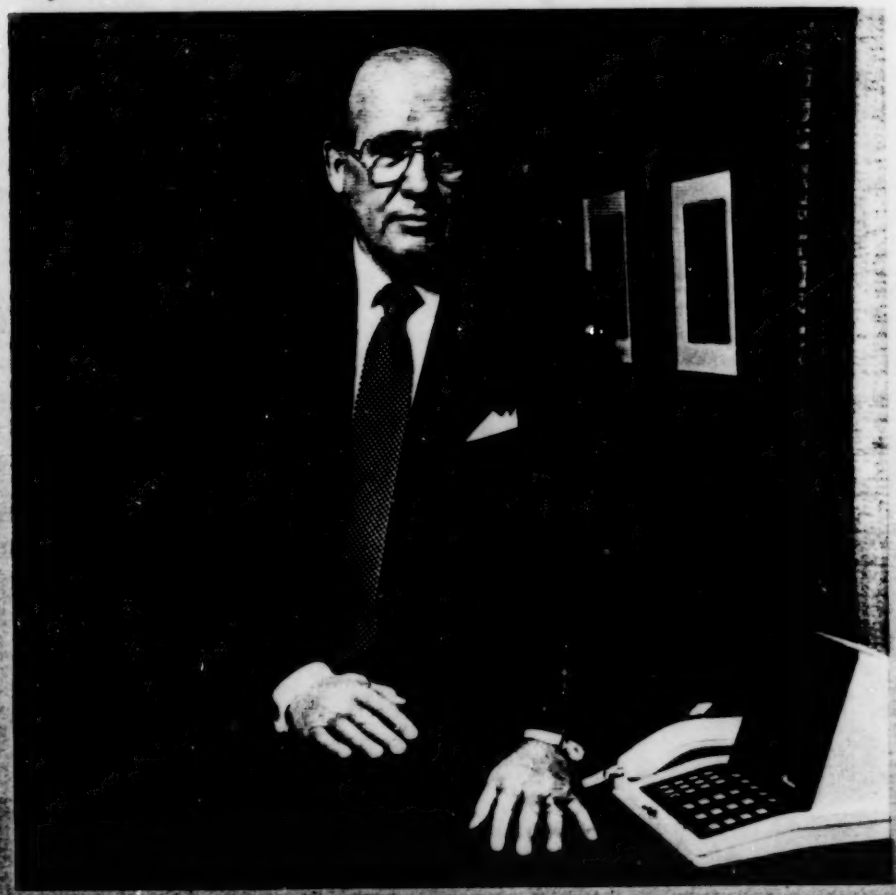
I can say this with a new sense of personal involvement in what I know to be one of the most progressive, imaginative and innovative telecommunications companies in the world.

At the time of my appointment as Chairman of the AGT Commission in September, 1983, AGT was already involved in a new and demanding period of evolution. Over the past few years, the Company has had to shift its historical role from that of a regulated telephone company in a monopolistic climate to that of a more entrepreneurial-spirited company in a new competitive environment.

In the boom years of the 'seventies, AGT was a company whose growth and stability were based on supplying first-class service to a province that continued to grow at an unbelievable rate. Year after year, AGT not only met these increasing demands with excellent service, but often anticipated the needs of its customers for new services and better products.

AGT, like everyone else, was not immune to the severity of the recession. A sharply-reduced demand for services had a dramatic effect on the Company's revenue base.

However, my colleagues in the Commission recognized early what needed to be done. And the Commission acted quickly. Restraint and cost control policies were suggested and implemented immediately. AGT people at every level closed their ranks and rose to the challenge put to them to do more with less.



Policy decisions made in 1982 and early '83 have allowed the Company to look to the future with confidence. The most important objective is to reorganiz the financial structure of the Company and organize it on an operative debt-equity basis. These initiatives will increase the Company's capability in specialized areas. Special endeavours range all the way from data communica tions to a new world-class industry for Canada — the development of cellular mobile phone systems.

AGT — a leader for years in tradi-tional telephone services — has now established itself as a leader in many new telecommunications fields. Markets for many of our products, our technol-ogies and services extend worldwide.

In addition, the entire organization has been streamlined to provide a mor efficient base to continue our ongoing programs. The expansion of digital transmission and switching systems, pl increased use of fibre optic technology, are some examples of network improve ments that meet the needs of our customers.

The information age we are now entering presents unparalleled opportu ities for the Company. The evolution AGT as a world leader in telecommu cations has begun.

Making a lasting and significant contribution to this evolution has beer AGT's popular President, Mr. Jim Barnes. Not only does AGT owe him lasting gratitude, but all Albertans wi owe him appreciation for many years come.

The employees of AGT have work hard and well. They have made, wit exception, my new responsibilities an those of the Commission easier and more pleasant to carry out.

The best technology is available to I know we have the talent, the exper and the resources to meet the challe of an exciting future.

Harry B. H
Chairman

President's Report

Innovative·Productive·Responsive

In the past year, I am sure everyone was glad to see the economic recession begin to bottom out. I am pleased to report that AGT began to realize the benefits of the stringent cost-control and productivity-improvement measures initiated in 1982.

AGT people met the challenge of doing more with less. In brief, the highlights were:

- The hiring freeze
- An Early Retirement Incentive program
- A Business Office Modernization project
- An Inventory Reduction program
- A Productivity Task Force.

Let me expand.

A hiring freeze was introduced in June, 1982. The resulting reduction in staff levels since that date provided payroll savings of close to $40 million in 1983. The Early Retirement program, with its appealing voluntary early retirement incentives, will result in further savings in 1984. Thanks to these measures, AGT made substantial payroll reductions without resorting to staff layoffs.

Business Office Modernization is an ongoing project to increase productivity through automation. Thousands of files and the time needed to access them have been reduced in some areas and eliminated entirely in others.

As the major thrust of AGT's traditional operations evolved to reflect changes in the market, outside plant and basic operating materials inventories were reduced by 11.0% for a substantial cost reduction benefit.

To achieve more of these "better" results, while using less resources, a Productivity Task Force was established. The group studied human resources to produce more effective management control systems and fostered more efficient and cost-conscious management styles. Operations have benefited greatly from new technologies, more flexible approaches to traditional problems and some very innovative solutions.

I am confident the Company's operations have been streamlined. These efforts, combined with more stable revenues for the latter part of the year, indicate improved results in the years ahead.

Cost reduction measures have gone a long way in turning around the previous year's net loss of $56.5 million. They did not entirely offset the softening of revenues in the face of a difficult economic environment; but they did succeed in bringing the 12-month loss from last year's figure down to $22.9 million — an improvement of approximately $33.6 million.

Prospects for 1984 are uncertain. AGT's application for an interim rate increase in September of 1983 was not approved by the P.U.B., and the final decision is expected at any time. Should the application be approved to be effective by May 1, 1984, and the revenue and expense projections remain as predicted, AGT will show a profit in 1984 — although it will probably not earn its allowable rate of return.

AGT continues to redefine its role in the growing and constantly-changing telecommunications business. The evolution of the Company, as it diversifies into more competitive areas, is an ongoing challenge. AGT has provided an aggressive response to increasing competition in fields such as computer communications, business communications terminals and data networks.

As we search out new opportunities, our people at all levels have become more profit-and-loss-conscious.

Throughout the organization, they understood and responded to the need for co-operative action. They pulled together. Not only did they do more — in many cases, they did it better. The results indicate their competence and dedication.

In this last President's Report before my retirement, I must convey my satisfaction at working with the remarkable AGT team. Together they have striven to develop the finest telecommunications company of its kind. I have no doubt that, given the collective skills and dedication of our employees, AGT will continue to succeed in being innovative, productive and responsive to all our customers' needs.

J.A. Barnes

Jim A. Barnes
President

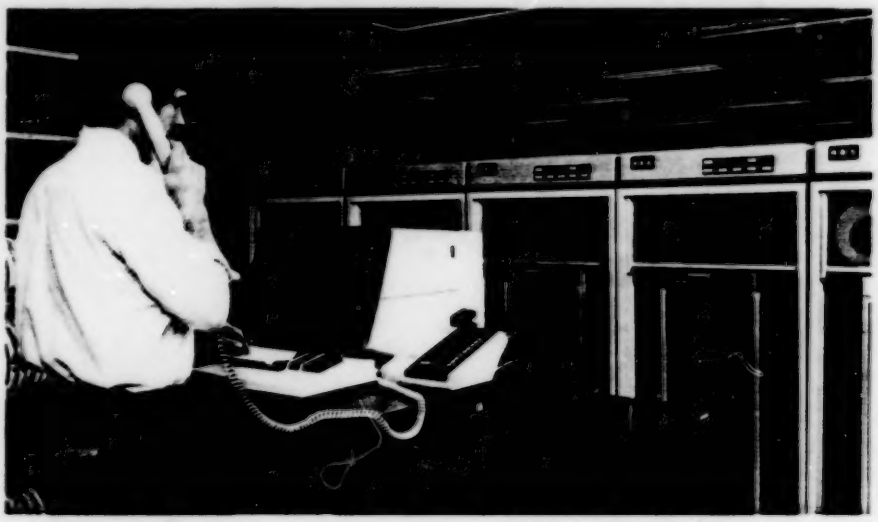
How AGT people responded to the challenge- and opportunity- of 1983.

"Do more. With less."

AGT has always been proud of the teamwork and initiative of its people. In 1983, the challenge to "do more with less" brought these qualities into sharper focus than ever.

Among other things, the challenge required fewer people to do *more*. When Alberta's changed economic climate made it necessary to reduce staff, not a single AGT employee was "laid off". The hiring freeze initiated the year before was continued. This, with normal attrition, resulted in a staff reduction of 888 in 1983.

Staff was reduced further by the voluntary Early Retirement Plan announced in February. The scheme, which did not affect the Pension Plan, was successful on all counts. 164 eligible employees responded to the attractive early-retirement incentives. A second plan, announced in October, attracted 73 more voluntary retirement candidates.



Employees close ranks

The way the 1983 workload was handled by fewer staff is a tribute to AGT people at every level. The spirit with which they consolidated and joined ranks was one of the year's great achievements.

Considerable credit goes to the work of a Productivity Task Force and Middle Management Seminars. Attendance at the seminars, conducted over a 7-month period, was entirely voluntary. 97% of all middle managers participated.

It became more important than ever to have the right people in the right place. This was achieved by excellent management co-operation in inter-departmental transfers, and by the spirit shown by the reallocated staff members in tackling their new responsibilities.

In 1983, capital expenditures were reduced dramatically from $473.5 million to $222.8 million.

New systems and methods were introduced to improve productivity. Foremost among these was the

Business Office Modernization project. This was initiated in Edmonton and Calgary in 1983, and the development of an all-Alberta program will continue throughout 1984.

The "BOM" project employs video terminals to give Service Representatives customer information in seconds. The goal is a virtually "paperless" business office operation. Among other benefits, the scheme eliminates the production of customer paper records by some 95%.

In addition, the project frees staff for other duties.

A computerized Capital Expenditure system, based on video terminals at key locations throughout Alberta, also reduced paper, filing and distribution time. It supplies more accurate project cost and schedule estimates and has done away with turnaround delays.

Computerized TOPS (Traffic Operator Position System) helps skilled Long Distance operators make more efficient use of their time while providing assistance on customer-dialed Long Distance calls.

Inventory control

In the boom years, AGT had to maintain a huge and costly outside plant and basic operating materials inventory to keep ahead of the service demands imposed by the accelerating growth. 1983 imposed a new demand: a complete change of outlook to ensure that while all service demands were met, and service standards were maintained, non-revenue-earning investment was pared to the minimum.

Among other measures, AGT computer-technology depth was marshalled to control inventory. At the new automated Calgary (Manchester) stores complex, officially opened February 3, 1983, inventories are monitored to ensure that adequate — but not excessive — supplies of everything from phone sets to underground cable are maintained at 15 distribution centres throughout Alberta.

Cable purchases declined by 61.7%, and outside plant purchases by 24.6%. The reductions were not entirely due to a curtailed construction program. Much of the credit goes to innovative action in making use of stock already available. It was often adapted through creative engineering to a greater variety of uses. Bulk ordering was changed to ordering for job requirements — always with the objective of meeting customer service needs on time.

Aggressive marketing played a vital role as well. Equipment inventory was kept to the minimum by sales to other parts of Canada, to the United States and to offshore markets as far afield as Europe and Asia.

At home, a surplus stock of a particular business phone system was

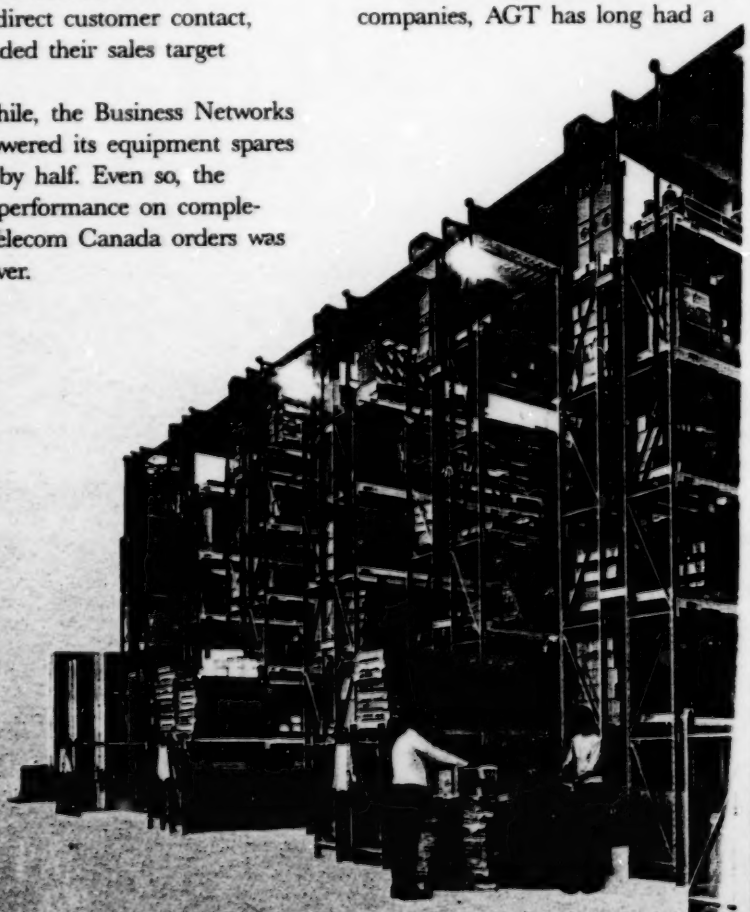
AGT's main inventory handling centre, the Calgary Manchester complex, was officially opened in February, 1983.

reduced by an energetic Business Communications sales force. Through direct customer contact, they exceeded their sales target by 35%.

Meanwhile, the Business Networks division lowered its equipment spares inventory by half. Even so, the division's performance on completions of Telecom Canada orders was the best ever.

More "do-it-yourself" initiative

Unlike many telecommunications companies, AGT has long had a



policy of undertaking its own engineering, installation and construction wherever possible.

In 1983, efficient staff and equipment redeployment enabled the company to do even more of its own cable replacement, cable plowing, and construction projects. The new economic climate made "do-it-yourself" initiative an increasingly important AGT resource.

For example, an AGT crew dismantled the Hotchkiss Radio Relay tower and moved it 445 km to Amber, 240 km northwest of High Level.

Business Office Modernization terminals give Service Representatives instant access to customer data.

At this remote site they hauled in their own camp; set up their own concrete plant; built a concrete base and placed the anchors for the tower; re-erected it complete with antennas; then hauled the old tower away.

Result: the job was not only done ahead of schedule, but at a cost saving of 22.5% on the construction estimate.

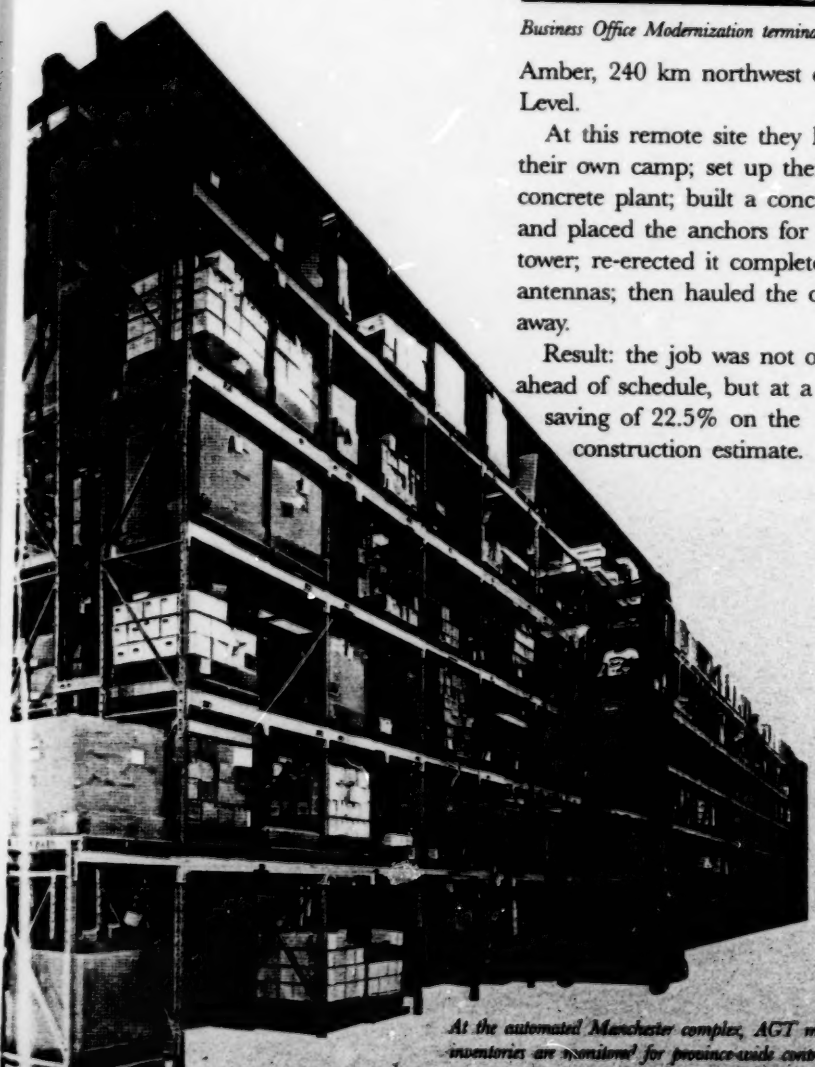
Similar "do-it-yourself" projects in 1983 were the relocation of towers from Warrensville to the Obed mine site (587 km) and Fort Hills to Manning (1,172 km).

AGT employees even designed portable pay-phone booths that can be moved from an armed forces camp to a fair, a public auction, a construction site — any location where the cost of installing permanent pay stations would be prohibitive.

Even equipment items as simple as an access cipher lock for the Drumheller office were not ignored. Staff designed and built their own unit, saving the expense of a commercially manufactured, not fully satisfactory product.

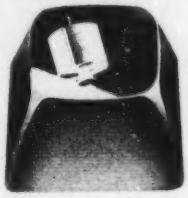
These are some of the ways AGT people responded to the challenge of 1983.

They did more.
They often did it better.
And they did it with less.



At the automated Manchester complex, AGT material and equipment inventories are monitored for province-wide control.

Networks
Closing the analog-digital gap.



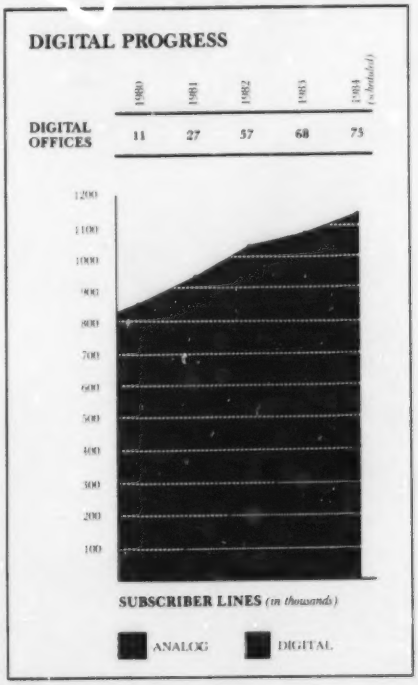
1983. The United Nations General Assembly declared it "World Communications Year." They urged adoption of strong national and international policies on communications. And AGT did, indeed, strengthen its capacity to provide state-of-the-art telecommunications for the benefit of Alberta residents, the rest of Canada, and the rest of the world. In doing so, it became increasingly innovative. Increasingly productive. Increasingly responsive.

The Company's highly efficient analog network has served people well for many years. It will continue to do so for many more. But still greater efficiencies, still greater flexibility, still greater economy, are summed up in the word "digital" as applied to telecommunications transmission and switching.

Only a few years ago, "digital" was still being termed the way of the future. Now it is seen as the *way of today*. In Alberta it increasingly became a reality for *now* — largely due to AGT's digital progress in 1983.

Digital progress

In World Communications Year, 1983, the number of AGT digital lines increased to 30% of total lines — a 20% increase over the year before. This in a year when the overall construction program dramatically declined, with the Company operating to a large extent on the capacity additions of the boom years. In doing more and doing it with less, AGT made a significant forward stride toward "closing the analog-digital gap."



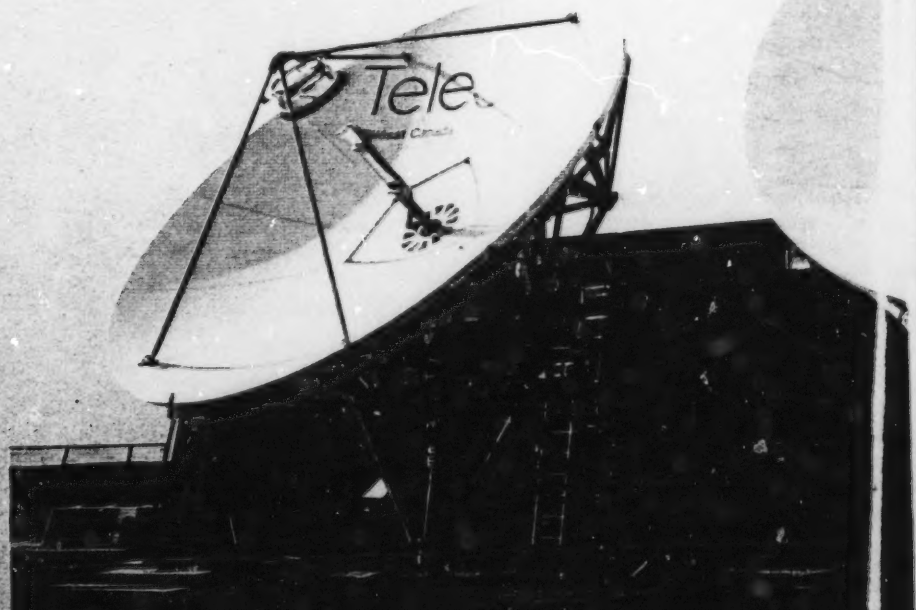
Along with other Telecom Canada member companies, AGT in 1983 announced the completion of a coast-to-coast all-digital network path, the longest of its kind in the world. Digital switches, combined with digital radio transmission systems, give transmission that is clearer — and more cost-effective — and more data-efficient.

Fibre optics

In Alberta, fibre optic technology was a big part of this digital progress. AGT expertise in the fibre optic sphere is recognized internationally.

AGT earth stations at Calgary and Edmonton receive and transmit signals to and from satellites orbiting 36,000 kilometres above the equator.

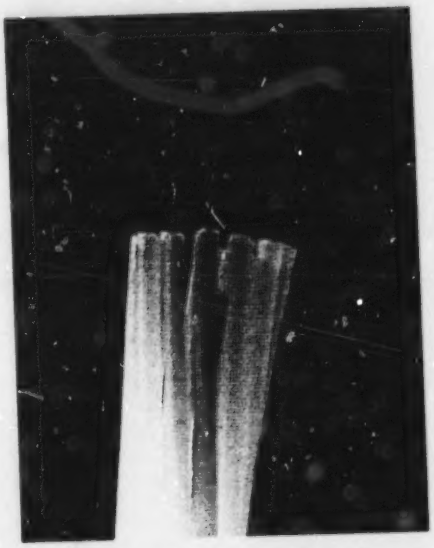
Dependable analog crossbar switches are being replaced by the even more efficient solid state digital toll switching systems.



In our home province, it opened up digital entrance links between Calgary and the Crossfield Radio Relay (colourfully termed by engineers and field personnel as "Ra-Re"), plus Edmonton and the Kavanagh Ra-Re.

All this helped strengthen the connection of major intertoll microwave routes with our Edmonton and Calgary toll switches. And more, it added digital radio capability between the Cheadle and Crossfield Ra-Re, which gave better service to long distance users calling from east of Calgary.

Meanwhile, Calgary's fibre optic network was extended to Bowness. And in the Camrose section, 140 km of pulse code modulation cable was installed, resulting in added toll facilities and diversification for seven rural communities served from the Camrose office.



Each fine fibre optic strand, the thickness of a human hair, can carry the equivalent of hundreds of pairs of copper wires.

Digital switching adds new benefits

At local exchanges, digital switching was introduced to Hanna, Slave Lake, Vermilion, Edson and Red Deer, as well as to the Calgary exchanges of Mount Royal and Shawnessy.

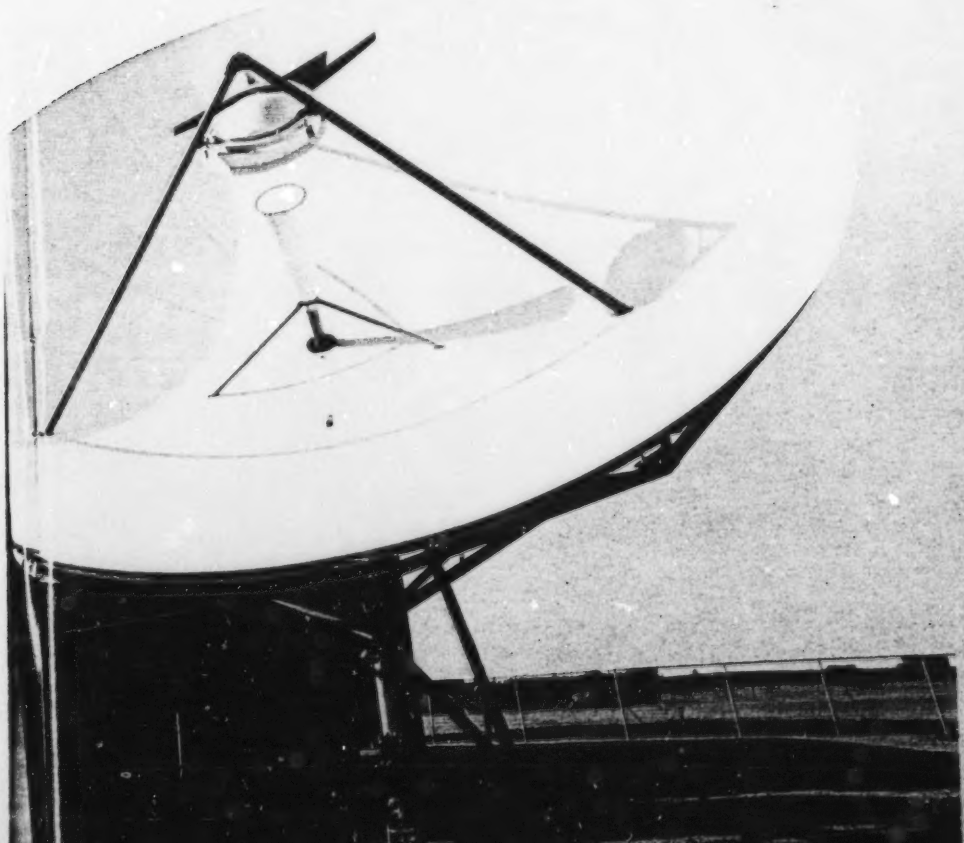
When switching is "digitized", greatly-increased capacity is only one of the benefits. Residents and businesses are given popular — and practical — optional services such as Touch-Tone Calling, Call Forwarding, Call Waiting, Speed Calling and Three-Way Calling.

Edson was also equipped with one of Canada's newest types of digital switches — providing the area with 0 + number dialing — and digital microwave systems were "turned up" from Grande Prairie to both Edson and Peace River.

Remote digital switches were introduced at Spruce View, Bentley, Hobbema and Millet. They replaced existing stand-alone dial offices, resulting in substantial savings for the Company. Another new remote digital switch serves initial customer requirements in Calgary Country Hills.

Satellite/digital service

A spectacular advance in 1983 was the marriage of digital and satellite technology. Through digital fibre optic links from Long Distance toll centres to earth stations in Edmonton (Sherwood Park) and Calgary (Forest Lawn), AGT and its Telecom Canada associates brought in a new age of custom-tailored telecommunications services, made possible by the launch of Telesat



Canada's Anik 'C' satellite the year before. The satellite is integrated with the digital network carrying voice, data and video signals across Canada.

Working with Telecom Canada, AGT also helped develop Stratoroute 2000. This unique multi-functional satellite network supports business voice, data and image communication between major cities.

A major Stratoroute 2000 benefit is that, as their traffic patterns change from day to day, customers can reconfigure their networks to suit their needs. It will initially serve Vancouver, Calgary, Toronto, Ottawa and Montreal in 1984. Shortly it will expand to Edmonton, Saskatoon, Regina, Winnipeg, London, Quebec City and Halifax.

Customer private line networks

In 1983, Business Networks provided over 2,000 trunk connections to customer-owned equipment, mainly in the Calgary area. Its Intercompany Services Co-ordination Group ensures that customer deadline requirements are met when two or more telephone companies are involved.

This section also established high-calibre worldwide broadcast and cable TV coverage of the 1983 World University Games in Edmonton and the Western Canada Games in Calgary.

Canadian communications satellites are world leaders in technical excellence.

Hand-held Touch-tone telephones facilitated the transmission of thousands of athletic results during the World University Games.

Long Distance usage stabilizes

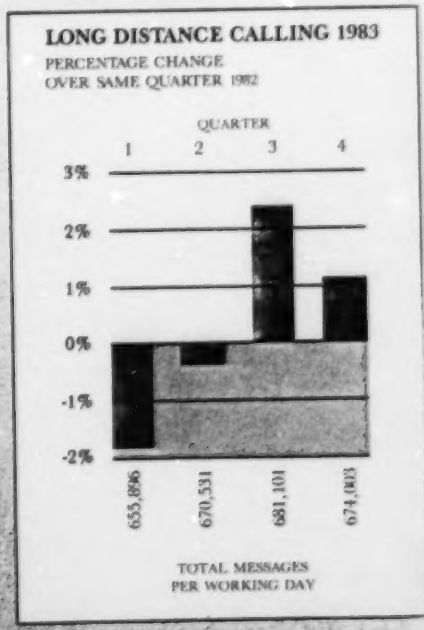
As the Company entered 1983, the lingering effects of the recession were at first reflected in a declining volume of Long Distance calls. But this trend began to turn around halfway through the year.

From June on, Long Distance usage showed signs of stabilization. AGT not only managed to hold its own but, over the year, attained a modest increase in toll messages.

A 10% rate increase in April helped level off the negative growth in Long Distance revenue. Overall, the Long Distance service showed a revenue increase of 7.6%.

The turnaround in June coincided with an aggressive promotion which emphasized the value of Long Distance as the low-cost way to keep in touch.

During the year, AGT market penetration of Long Distance Gift Certificates was the highest of any Canadian telephone company. Gift



Certificate sales increased 6.8%.

Business Phone Power

AGT Phone Power specialists generated $2.75 million in new Long Distance revenues in 1983.

"Phone Power", administered by Telecom Canada, helps businesses maximize their profit potential through innovative use of the telephone.

AGT has 12 Phone Power specialists. Seven of them won the Telecom Canada President's Award in 1983. This was almost one-third of the total awards Canada-wide.

Thanks to the initiative of an AGT Phone Power specialist, the Crime Stopper program is contributing to the apprehension of criminals throughout Alberta.

The program was formerly operated by the city police services in Edmonton, Calgary and Lethbridge. The Phone Power specialist saw the opportunity to make it province-wide through AGT's 800 Long Distance toll-free network.

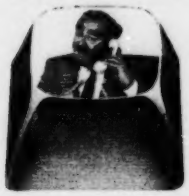
The proposal was met with enthusiasm by city police services and the RCMP. Now, any citizen, anywhere in Alberta, can report information on serious crimes by dialing 1-800-922-TIPS (Red Deer and North) or 1-800-242-TIPS (South of Red Deer).

An AGT Phone Power specialist discusses operations of the province-wide Crime Stoppers program with the RCMP provincial co-ordinator.

AGT sale of Long Distance Gift Certificates led the country in market penetration.

Business Communications

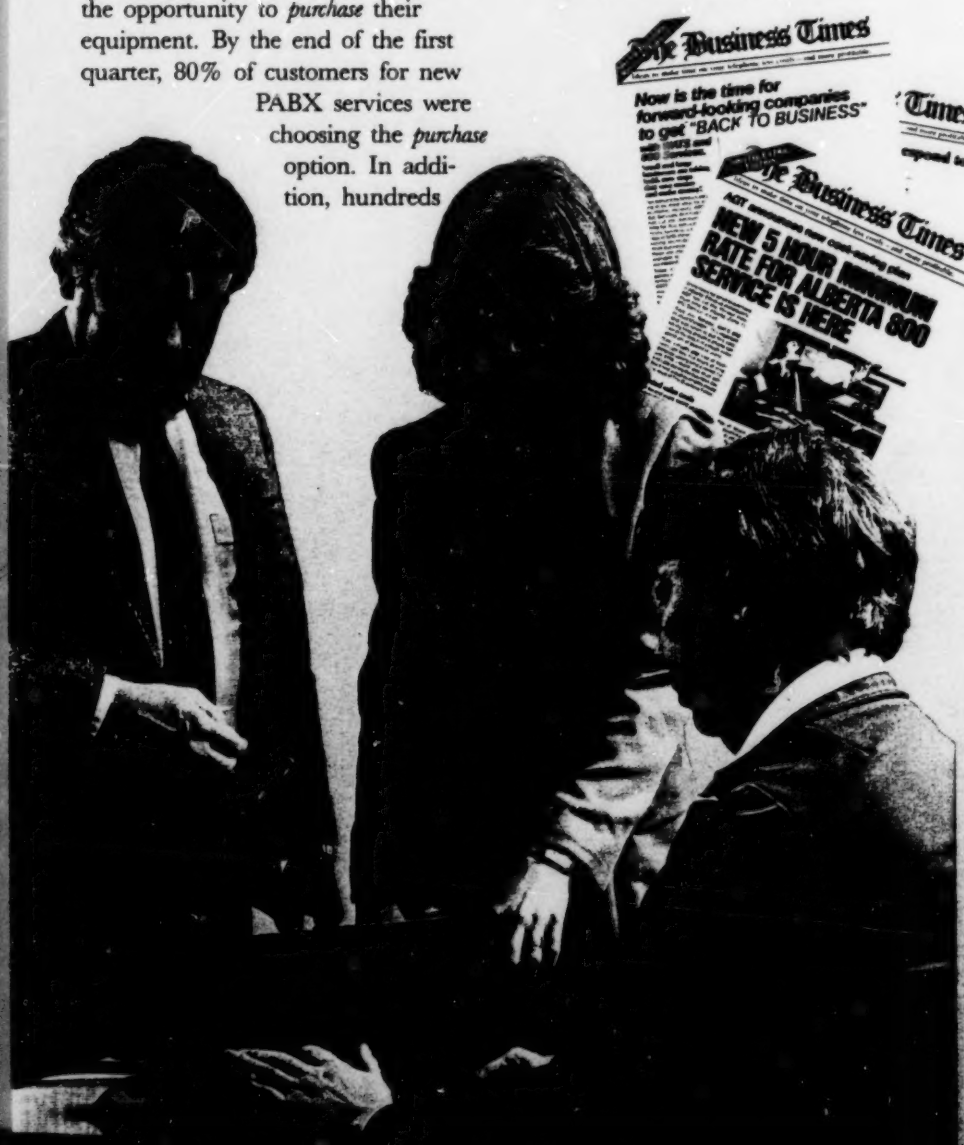
Success through teamwork



"Success through teamwork" was the watchword adopted by the Business Communications division in 1983. It applied not only to internal teamwork, but also to teamwork with customers in identifying and satisfying their needs.

In 1983, through AGT, business as well as residential customers had the opportunity to *purchase* their equipment. By the end of the first quarter, 80% of customers for new PABX services were choosing the *purchase* option. In addition, hundreds of electronic key systems were sold during the year.

In a new and competitive climate, AGT business sales, support and installation people came through in maintaining AGT's position as Alberta's leading business communications supplier. As part of the Productivity Improvement program, courses were given in writing sales proposals geared to the customer's specific needs, in analyzing sales activities and their results, and in telemarketing techniques to qualify and close sales.


The Business Times
Now is the time for forward-looking companies to get "BACK TO BUSINESS"
The Business Times
NEW 5 HOUR MINIMUM RATE FOR ALBERTA 800 SERVICE IS HERE

New emphasis was placed on direct response marketing — again with customer benefits firmly in mind. Notable successes in this area included a 40% revenue increase in Wide Area Telephone Service (WATS), and a 39% increase in "800" number service.

"800" service access-line minimum time was halved, from ten to five hours. This proved an astute move in making it more affordable to smaller businesses — giving them the opportunity to use this sales-stimulating tool with exceptional results.

Business SalesCentre

Close customer contact was strengthened also by the establishment of the Business SalesCentre in Calgary's downtown core.

Jim A. Barnes officially opened the new telecommunications store on September 6, 1983. He was joined at the well-attended opening by Larry Mann — "the boss" in the television commercials for business Long Distance use.

A Business Representative explains how this switchboard keeps track of hotel guests' Long

Government departments now easier to reach

Thanks to a 1983 agreement, people who phone the Government of Alberta "RITE" (Regional Information Telephone Enquiry) service in Calgary, Red Deer and Grande Prairie will find it easier to get through.

A new business phone system will be installed in these areas. It will reduce busy signals and will give callers faster transfer to the government departments they need.

The result: even more efficiency on the RITE service, which the government initiated in 1973 to give Albertans convenient and quick access to all government agencies.

PhoneCentres

Since it became possible for residential and business customers to *purchase* telephones, AGT has demonstrated its ability in *competitive retail merchandising*.

At 15 attractive "phoneCentres", with phones and accessories appealingly displayed, customer-oriented sales staff increased average monthly sales by 34% over 1982.

Sales of Custom Calling Services more than doubled. They are *network* services such as Call Holding and Call Forwarding.

The fact that a high percentage of phoneCentre sales was made late in the year points to a growing consumer confidence in an economic upturn.

The *types* of telephone sets purchased were also an indicator of the current market mind. Visually exotic "decorator" sets took a backseat to telephones offering new features and conveniences born of new technology. Examples are

phoneCentre staff increased average monthly sales 34% in their first full year of direct sales.

features such as automatic dialing, last-number redial and "music-on-hold". The cordless phone introduced to phoneCentres in 1983 was a popular new offering.

AGT has the ability to demonstrate new features and consumer benefits right in the phoneCentres. At the same time, the Centres give customers convenient locations at which to pay their phone bills, make enquiries and try out new services.

It's all part of the new, innovative AGT. Give people the *products* they

Newest of the 15 AGT phoneCentres is at Calgary's Sunridge Mall.

Government departments now easier to reach

Thanks to a 1983 agreement, people who phone the Government of Alberta "RITE" (Regional Information Telephone Enquiry) service in Calgary, Red Deer and Grande Prairie will find it easier to get through.

A new business phone system will be installed in these areas. It will reduce busy signals and will give callers faster transfer to the government departments they need.

The result: even more efficiency on the RITE service, which the government initiated in 1973 to give Albertans convenient and quick access to all government agencies.

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Newest of the 15 AGT phoneCentres is at Calgary's Sunridge Mall.

want — at the *price* they want. And promote these offerings in a way that makes it *easy* for people to respond!

More advertising revenue from AGT directories

Revenue from advertising and bold listings in AGT telephone directories rose by 12.8% in 1983.

The Yellow Pages column widths in Banff, Brooks, Crowsnest, Drumheller and Fort McMurray were made the same as those in larger centres. The change saves time and advertising production costs for business people. Now they can produce an advertisement to run in many different AGT directories with no change in size or format.

A 1983 highlight was the addition of a Directory Data Centre. To protect its important directory data base, AGT purchased the assets of the firm which had processed the data and prepared the directories (prior to printing). Its management, staff and equipment were integrated with the AGT Directory department.

A computer system is used to update listings, process billings and provide sophisticated photo-typesetting. The actual printing and binding is done by an independent contractor.

Artists in the Directory Data Centre develop display advertising designs for AGT Yellow Pages.

The Centre also gives AGT an efficient facility for the economical pre-printing preparation of other items, such as business forms and company publications.

The cordless phone. A popular new 1983 phoneCentre offering.

Directory advertising and bold listings increased revenue in 1983 for AGT and for AGT customers.

Altel Data

Increased services bring increased revenue.

Altel Data in 1983 celebrated its tenth year as the Computer and Data Communications Division of AGT. It has grown from a team of 14 to 650 highly-qualified technicians and professionals in an unmatched one-stop, end-to-end source for interactive computer products and services. As a supplier of networks, computers, terminals, peripherals, software, electronic mail and word processing, Altel Data is unique. Sales results demonstrate that, through quality of service, intelligent salesmanship and market-oriented promotion, the business market is getting that message.

In 1983, through tightened belts and heightened productivity per person, staff was held to the '82 level. Yet Altel Data increased its revenue by 13% and boosted its net contribution to AGT by 14%.

The Digital VT220 introduced a sleek new look to terminal technology.

Innovative products, services

Altel became even more sensitive to the market's needs and direction in its search for innovative products and services which are compatible with the networks.

Examples:

The division entered the personal business computer market with the Texas Instruments Professional Computer. In comparing it to the major competitive product, "Popul Computing" magazine noted that the TI Professional "has superior graphics, a better keyboard, more flexible input/output circuitry and raft of options . . . It is the best 8088-based system for the money the optimum personal computer."

Altel Data has also reacted to th market need for computer peripherals at prices well below those available from major computer manufacturers. Obtained from firn well known to data processing managers, they provide the price/performance/delivery advantages sought by customers who must expand their data processing capabilities on limited budgets.

At the same time, the division introduced several additional software products for a variety of business application needs.

Also in 1983 it identified and filled a gap in Canadian-oriented Data Communications courses. The *Altel Data Customer Education Program* was launched in January with two-day Basic Computer Communications seminars which have served a dual purpose in producing sales leads and in helping to position Altel Data as a computer communications authority. Customer response to the seminars was overwhelming. As a result, they will be continued — and network design courses will be added.

Networks

Network marketing brought in a network sales revenue increase of 20%. Altel Data is the only operation in Alberta able to serve the market with varied hardware and software plus a spectrum of network services.

As a total computer/networks organization, Altel is highly qualified to match the right communications devices to the right networks. Network offerings range all the way from Altel's own provincial service (AltaNet) to satellite services and nationwide data networks — which AGT helped to create and implement in co-operation with other members of Telecom Canada. These networks, in turn, are the customer's gateway to international data communications.

Altel Data's addition of the Texas Instruments 'Professional' enhanced the division's large terminal selection

Altel Data is a one-stop source for computers and computer communications.

Mobile Communications

Alberta technology in motion.

The Mobile Communications division increased its net contribution to AGT by 42.5% in 1983.

In the first six months of 1983, connections to the Public Mobile system declined by 1.4%. However, the decrease was much lower than the 10.5% of the year before. It bottomed out in June, with no decrease in the second half of the year.

Private Mobile connections showed faster growth than in the previous year. They increased by 4.5% compared to 1.6% in 1982.

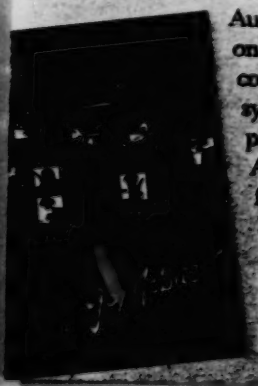
One of the division's strengths is its ability to give customers significant new services ahead of its competitors.

Aurora mobile phone introduced

The first North American *full roaming* cellular system was successfully turned up in Edmonton and Calgary. Named Aurora, this unique new mobile phone gives users all the advantages of a sophisticated Touch-Tone office phone. The "roaming capability" enables the user to make and take direct-dial calls while driving over long distances.

It's just as easy to use too, with no "push-to-talk" or "release-to-listen" button.

Aurora was marketed in Edmonton first, to be followed by Calgary and Red Deer in early 1984. Many more Aurora centres will come on stream in 1984, with completion of the system across Alberta planned for 1985. Aurora will be manufactured in Alberta by NovAtel.



Automatic reporting for gas industry

Mobile Communications continues to keep pace with its customers' needs. One example: the natural gas industry needed a device which could intelligently report alarm and status conditions at remote metering stations. An Automatic Reporting Unit (ARU) was developed which has a digitally-synthesized voice message, to report information from up to eight status inputs.

The unit has the capability of dialing any of four pre-programmed telephone numbers. The first system was installed for the Federation of Gas Co-operatives. Using 20 ARUs to monitor metering stations throughout Alberta, the system reports deviations to Gas Co-op personnel at their offices or residences.

Telemetry and remote control systems are designed to meet customer needs.

By the end of 1983, 65 ARUs were in service, performing various monitoring and security functions for a wide range of customers.

Advanced fire reporting system

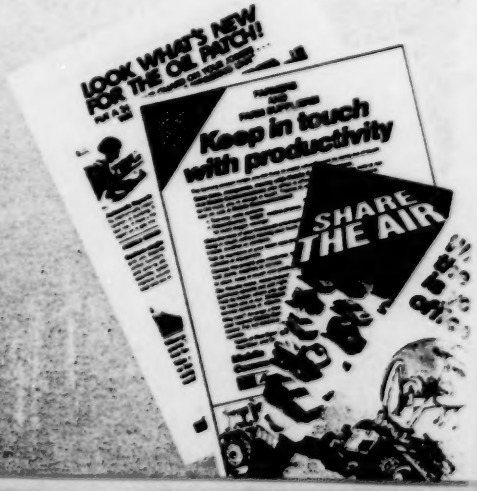
Mobile Communications cellular "PERIL" system gained considerably in customer popularity in 1983. The system designed and implemented for the Municipal District of Sturgeon is a good example. Used as a fire reporting system, six base repeaters cover an area of 4,000 square kilometres. Each base repeater is microprocessor-controlled to provide telephone network access, paging and various switching functions. It gives a citizen calling the fire department number direct access to the brigade's mobile radio system.

PERIL emergency reporting systems gained in popularity in 1983.

Effective promotion plays an important role in the success of PERIL. AGT was on hand to demonstrate the benefits of the PERIL package at the Alberta Fire Chiefs' Association Convention in Camrose during June. And PERIL's popularity continues to grow.

Telemetry and point-to-point radio

Mobile Communications continues to lead the market in telemetry and control systems. These systems are



used to transmit data and perform control and monitoring functions in remote areas.

A 1983 highlight was a new waterworks system for the town of Peace River, to monitor and control water levels, and pressures at pump stations for water treatment plants.

Six major point-to-point systems were sold to energy-related customers. Private radio systems were also provided to the energy industry. In addition, they served important communications roles at the World Downhill ski race at Lake Louise, the Western Canada Games and the Boy Scouts' World Jamboree.

The wide range of products and services offered by Mobile Communications was featured in a new catalogue in 1983. Reaching out to keep the market informed of the many new ways AGT serves customer needs is an ongoing part of this fast-moving business.

NovAtel Innovative·Productive·Responsive

Leading the cellular mobile telephone revolution.

In January, 1983, an exciting new high-technology company was formed in Alberta. NovAtel Communications Ltd. is a 50-50 joint venture between AGT and NOVA, AN ALBERTA CORPORATION. It actively pursues the manufacturing and marketing of cellular mobile radio telephone systems on a global scale. Westech Systems, the R & D company originally formed to develop AGT's Aurora cellular mobile telephone system, was greatly expanded and renamed NovAtel. It is right on track.

During its first year, NovAtel acquired staff and established its complete R & D department in Calgary. Lethbridge, Alberta, was chosen as the manufacturing location and an office was opened there. Fortunately, an existing plant ideal for NovAtel's need was already in place. Following renovations, the Lethbridge plant should be operational in April, 1984.

Cellular mobile sales successes

AGT Mobile Communications was the first customer, buying the 400 Cellular System to complete Aurora — the first commercial cellular mobile network of its kind in North America. 1983 was more than the year to build the company; it was a year to build business. In the United States, inroads were made with a backlog of 14,000 units on order. Letters of intent valued at $9.3 million were received for the NovAtel 800 system.

A joint venture company, CarCom Inc., was established in Fort Worth, Texas, to distribute the 800 system to the automotive industry in the United States. They have a network of 400 distributors.

Talks have been held with "the big three" auto manufacturers as well as auto builders from Japan and Europe. An agreement was signed to manufacture NovAtel products in Korea with Hyundia Electronics Industries, which produces 80% of the automobiles in Korea, including the Pony, now sold in Canada. This contract guarantees $10 million in licence revenues over 5 years.

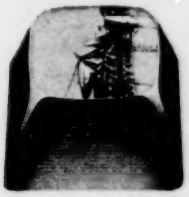
NovAtel was a significant player in the Cantel Corporation's successful application for a licence to provide cellular mobile service in 23 cities across Canada. A letter of intent was signed for NovAtel's 800 system and 10,000 mobiles.

1983 was an exciting beginning. NovAtel created 100 new jobs in Alberta. With the Lethbridge plant coming on stream in 1984, this number should increase considerably. NovAtel is poised to lead the world in mobile communications with the right products for a new and explosive marketplace.

Cellular Aurora Mobile Phone System received widespread media publicity.

Alberta Telecommunications International Ltd.

New contracts in five countries.



Through this wholly-owned subsidiary, AGT is active not only in Alberta but in many different countries. Alberta Telecommunications International Ltd. markets the full range of AGT telecommunications services and technical skills internationally.

In 1983, ATI's second year of operation, the company signed contracts in five countries.

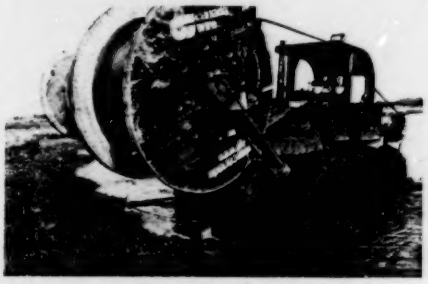
AGT's widely-known expertise in fibre optics, for example, saw ATI obtain important consulting contracts in the United States. These contracts were to assist in the engineering and contract inspection of fibre optic cable placement in Washington D.C., New York City, and Florida.

U.S. contracts included ATI inspection of fibre optic cable placement.

Further afield, ATI supplied, installed, tested and placed in service a Private Automatic Branch Exchange at the Manantali Dam site in Mali, West Africa. The project was completed in September.

New network surveillance system

A successful bid led to a major offshore contract with the Puerto Rican Telephone Company. The contract is to supply and install an innovative switch surveillance and control system developed by AGT engineers.



Fibre optic consulting contracts were obtained in the United States.

MOSS (Mechanization of Switch Surveillance) is a whole new AGT computerized solution to network switching problems caused by missed alarms. It monitors an entire network at a glance, and does so many tasks with speed and accuracy that it brings a new dimension to switch maintenance.

MOSS has been extensively tested for more than two years. It gives improved customer service and saves operator training costs. The Puerto Rico installation, due for completion in May, 1984, will provide the fourth largest island in the Caribbean (population 3,197,000) with a uniquely-dependable system to maintain its switch network.

The MOSS system, developed by AGT and brought to world markets by ATI, provides a complete network surveillance system on a continuous basis.

The contract led to an opportu in Jamaica for the sale of AGT mobile communications equipmen — including the contracting of personnel to oversee the installatio and testing.

In August, 1983, a permanent representative office was establishe in Singapore. It is staffed by an manager and will provide more direct access to the ASEAN mark

In the Northwest Territories an Saskatchewan, contracts were awarded for the engineering and installation of cer office equipm

Alta-Can Telecom Inc.

AGT

Innovative·Productive·Responsive

AGT subsidiary active in high-technology investment.

Alta-Can Telecom was set up to invest in and to assist fast-growing, new areas of micro-electronics and telecommunications. Formed in 1982 as a wholly-owned AGT subsidiary, Alta-Can became active in January 1983.

Alta-Can's primary goal is to encourage and work with businesses in Alberta, and thereby contribute to industrialization in our province. In addition, it looks beyond Alberta to develop an investment portfolio that will benefit the province's economy. The company is managed by people who have a depth of integrated technological, administrative and venture capital investment expertise.

Investment highlights

In its first year of operation, some significant steps were taken. Alta-Can invested in Idacom Electronics Ltd., Edmonton, gaining a 20% equity position. This company has current sales of approximately $4.5 million. It manufactures sophisticated testing equipment for the digital communications market. Idacom concluded an agreement with Siemens of West Germany this past year, to jointly develop a new line of portable protocol-testing equipment.

Under the agreement, Idacom's market will be North America. This is 50% of the total world market. Siemens, contributing 50% of the program investment, will have the rights to manufacture for markets outside North America. In addition, Siemens will transfer manufacturing technology to Idacom, further enhancing the Edmonton operation's manufacturing knowledge.

Alta-Can initiated a study to identify Japanese technology companies considering locating here. A number of firms with the potential of making Alberta the launching base for their North American markets have been identified as good joint-venture opportunities.

An agreement was negotiated for a 20% equity investment, to be closed early in 1984, in Cybernex Limited, Ottawa. This well-managed high-technology company manufactures graphic display terminals and computers. Current sales of $7 million are expected to rise to $10 million in 1984. A new Calgary office will cater mainly to seismic graphics in the petroleum industry.

An important out-of-province investment that will help Alberta: Cybernex Limited, Ottawa.

Cybernex is expected to go public in 1986. Alta-Can anticipates that its investment will have appreciated considerably at that time. It will be both a growth investment and a source of manufacturing technology for future investments in Alberta.

With a successful first year behind them, Alta-Can Telecom looks toward a promising future.

An important investment in Alberta's future: Idacom Electronics Ltd., Edmonton.

Financial Report

Like most Alberta businesses at the start of 1983, AGT expected our economy to show reasonably strong recovery by the second half of the year.

However, the world oil price reductions and the continuing global recession, which lowered the demand for Alberta goods and services, prevented a quick rebound from the 1982 economic decline.

Growth capacity already built into the company, or planned to meet the expansion which most businesses had anticipated, made adjustment to the new economic environment a demanding challenge.

For AGT, the year had two major financial thrusts:

- Streamline the organization and revise plans to deal with a slower-growing, more competitive economic climate in Alberta.
- Increase revenues. Continue to develop and market AGT's exceptional capabilities to serve telecommunications needs — both in Alberta and in other areas of the world. Also, through required regulatory rate increases, to achieve a rate structure that enables AGT to continue its present high standards of service.

Under the first major thrust, stringent cost-control measures introduced in the year before were held in place throughout 1983. They included a thorough, detailed review and cutback of all expenditures. The results in 1983 were significant.

Capital expenditures were cut to $222.8 million from a requirement once forecast at $569.0 million.

Similarly, a freeze on all staff hiring, and an Early Retirement Incentive program (a second one was announced to become effective January 31, 1984), led to significant staff reductions throughout the organization. Thanks to the efforts and productivity of AGT's highly-skilled employees, these staff reductions were achieved with minimal impact on customer service.

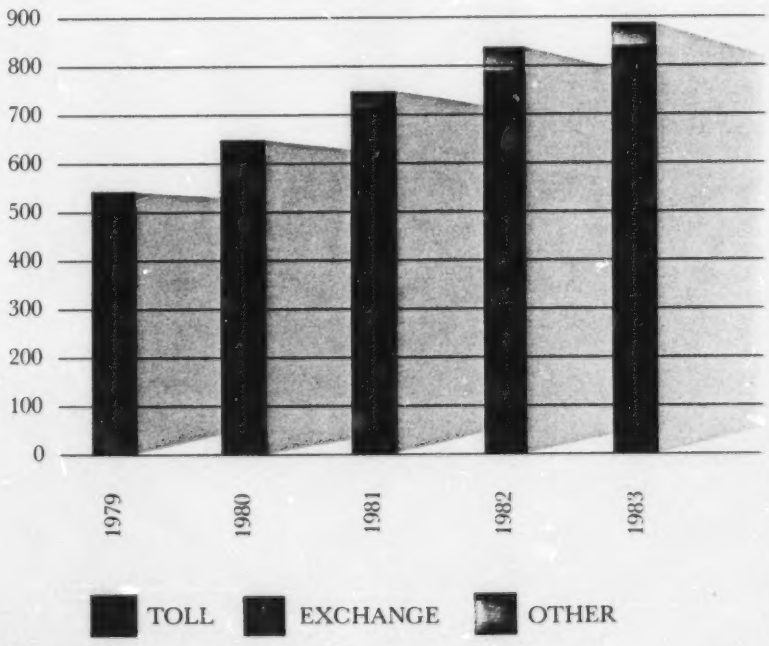
The assets and projected contributions to the AGT employees' pension and death benefit fund were such that AGT was not required to make regular corporate contributions for one year. This resulted in a 1983 operating expense saving of $18.0 million. Regular contributions began again on January 1, 1984.

These measures, and others like them, will enable AGT to maintain its pledge to provide high quality service, with state-of-the-art technology, at competitive prices. The Company will do this in a market where — at the urging of AGT — customers now have increasing product and service choices from this and other companies.

For the second major financial thrust, increased revenues, the emphasis was on:

- Supplying Albertans with th latest telecommunications products and services to improve productivity and communications
- Marketing worldwide, throu subsidiaries and joint ventur the unique products and services already developed t serve Alberta

REVENUES *(Millions of dollars)*



In addition, AGT received Public Utilities Board of Alberta approval on March 15, 1983, to increase rates by 10% for toll and approximately 6% for most other services. The increase was granted on an interim refundable basis, pending full study during public hearings which began in August. After an assessment of the revised outlook for Alberta's economy and its impact on operating revenues, AGT applied for a second interim increase to be effective September 1, 1983. This, however, was not approved by the P.U.B. AGT then applied for a rate increase to recover $23.8 million of the shortfall from the 1983 allowable revenue requirement, as a temporary surcharge on final rates to be established by the Board in response to the first 1983 application. P.U.B. decisions on both these rate applications are expected early in 1984.

Operating Revenues

Reflecting the above factors, Total Operating Revenues for 1983 were $892.8 million — an increase of 8.2% over 1982.

Toll Revenues increased by 7.6% to $571.9 million. This increase was based on growth in toll messages of only 0.2%.

Exchange Service Revenues rose to $263.8 million — 3.5% higher than in 1982 — as many customers took advantage of their option to buy telephone equipment instead of paying a monthly rental charge. The resulting net sales revenue is reflected in the 26.4% growth in Other Revenues.

Uncollectible Revenues was a major 1982 concern with losses amounting to $11.7 million or 1.4% of total revenue. This was cut in 1983 to $6.8 million or 0.8% of total revenues. The introduction of operator-verification of toll calls from coin telephones billed to a third number was one of the key means of achieving this reduction.

Operating Expenses

The cost controls initiated in 1982, plus the efforts made by all employees to achieve productivity improvements and lower costs, reduced the growth in operating expenses to less than 1%.

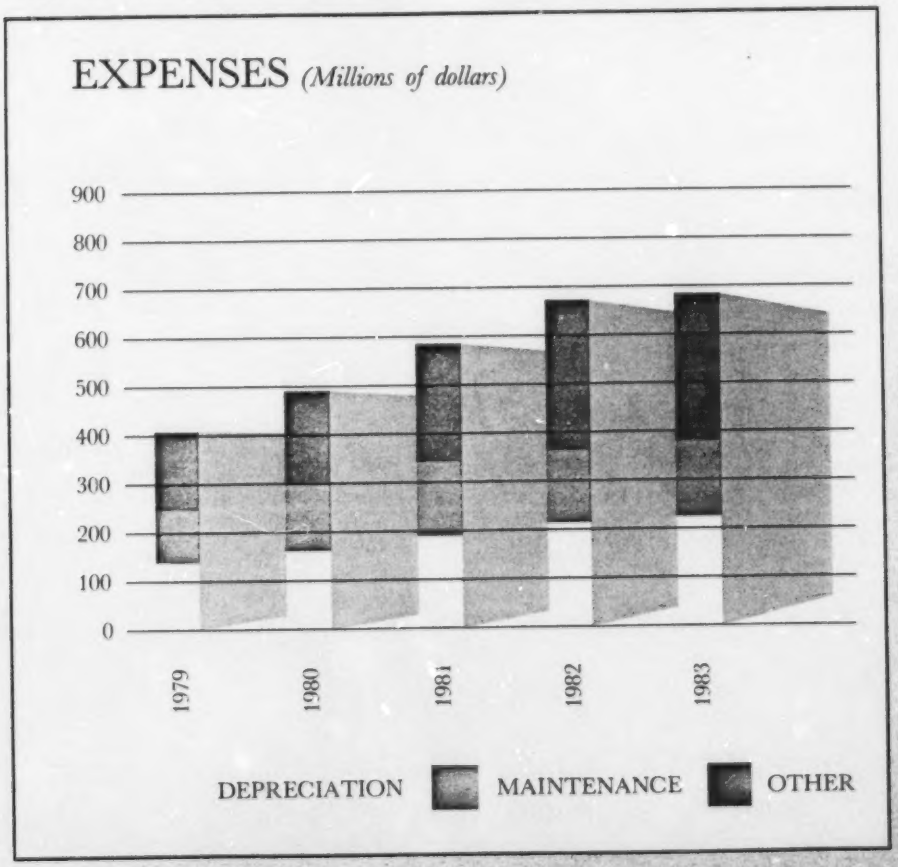
With lower growth in demand, and the extension of the time when equipment capacities will be reached, depreciation rates have been reduced. The composite depreciation rate dropped from 8.5% in 1982 to 7.9% this year. The result is that, despite a 4.5% increase in Telephone Buildings and Equipment, Depreciation Expense has been reduced by 0.3%.

Similarly, Maintenance Expense increased only 0.2% over 1982, amounting to $164.8 million.

The growth rate in General and Administration Expense was more than cut in half, down to 13.1%, compared to 27.9% in 1982 and 28.5% in 1981.

Capital Expenditures, Financing and Interest Charges

Efforts to re-evaluate all capital expenditure plans got under way prior to 1983. They increased in intensity when the nature of the recovery and outlook for future growth in Alberta, on which the



plans were based, changed significantly.

These efforts reduced capital expenditure levels to only $222.8 million in 1983. They also enabled new plans for future expenditure levels to be completed in line with the revised outlook.

AGT completed placement of a $150-million, 20-year 11½% debenture issue, dated May 31, 1983. The issue, the first AGT public market placement in 12 years, sold out quickly.

In addition, the remaining $30 million of a $100-million, 7-year 13½% debenture issue, dated November 30, 1982, and funded by the Province of Alberta, was drawn down.

Proceeds of the issues were used primarily to finance capital expenditures and to reduce long-term debt by $141.4 million.

Interest costs increased by 15.5% to $279.8 million in 1983 — a significant reduction in growth rate from the 35.7% and 27.7% increases realized in 1982 and 1981 respectively. The embedded cost of long-term debt (outstanding proceeds) rose to 12.58% in 1983 from 12.35% in 1982.

Income and Retained Earnings

There are several good reasons to be optimistic about the future:

- Cost control and productivity improvements that gave significant results in 1983
- $33.6 million "bottom line" improvement on the Income Statement
- Continued excellence of service to AGT customers
- Successful sales activities in Alberta
- The establishment of a sound base to market unique AGT capabilities elsewhere

But a Net Loss of $22.9 million was incurred in 1983. Continued improvement is needed for AGT to attain a satisfactory earnings level, and a sound financial position based on its own financial resources.

Strenuous efforts to achieve this are still being made. With the continuation of some strengthening of revenues evident at the end of 1983, and positive decisions in 1984 by the Public Utilities Board on the applications mentioned earlier, 1984 promises to return AGT to profitability.

Auditor's Report

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Members of
The Alberta Government Telephones Commission

I have examined the consolidated balance sheet of The Alberta Government Telephones Commission as at December 31, 1983 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Commission as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

C.A.
Auditor General

Edmonton, Alberta
February 28, 1984

Consolidated Balance Sheet

As at December 31, 1983

(thousands of dollars)

Assets

	1982
Telephone property, at cost:	
Buildings and equipment	$ 2 814 503
Less: Accumulated depreciation	884 195
	1 930 308
Land	46 026
Plant under construction	115 619
Materials and supplies	57 699
	2 149 652
Intangible Asset (Note 3)	—
Investments (Note 4)	3 069
Current:	
Cash	2 731
Short-term deposits	—
Accrued interest	246
Accounts receivable	111 284
Prepaid expenses	11 409
Net investment in leases (Note 5)	241
	125 911
Net Investment in Leases (Note 5)	723
Deferred Charges (Note 6)	32 159
	$ 2 311 514

The accompanying notes are part of these financial statements.

Liabilities

	1982
Long-Term Debt (Note 7)	$ 2 248 756
Less: Sinking fund assets (Note 8)	198 272
	2 050 484
Current:	
Notes payable	—
Accounts payable	42 496
Wages payable	49 763
Accrued interest	58 829
Service billed in advance	21 341
Current portion of mortgages payable (Note 7)	1 686
	174 115
Deferred Revenue	14 053
Retained Earnings	72 862
	$ 2 311 514

Consolidated Statement of Income and Retained Earnings

For the year ended December 31, 1983
(thousands of dollars)

	1982
Operating Revenues:	
Toll	$ 531 545
Exchange	254 982
Other (Note 9)	50 526
Uncollectible operating revenues	(11 707)
	825 346
Operating Expenses:	
Depreciation	218 137
Maintenance	164 490
Traffic	36 516
Commercial and marketing	67 261
General and administration	163 031
Property and business taxes	23 524
Pension fund (Note 10)	17 618
	690 577
Net Operating Revenues	134 769
Other Income (Note 11)	51 115
	185 884
Interest and Other Deductions (Note 12)	242 360
Net Loss Before Extraordinary Items	(56 476)
Extraordinary Items (Note 13)	—
Net Loss for the Year	(56 476)
Retained Earnings at Beginning of Year	129 338
Retained Earnings at End of Year	$ 72 862

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1983

(thousands of dollars)

	1982
Funds Were Provided From:	
Operations:	
Net loss for the year	$ (56 476)
Items not requiring current funds:	
Depreciation and amortization	233 534
Capitalized interest	(17 159)
	159 899
	477 303
Long-term debt issues	6 287
Increase in deferred revenue	643 489
Funds Were Applied to:	
Additions to telephone property, net:	
Capital expenditures	473 516
Less: Items not requiring current funds	40 400
	433 116
Increase in materials and supplies	4 277
	437 393
Reduction of long-term debt	156 320
Increase in sinking fund assets	43 424
Increase in net investment in leases	455
Increase in investments	220
Additions to deferred charges	1 352
Addition to intangible asset	—
	639 164
Increase (Decrease) in Net Current Assets	$ 4 325

Notes to the Consolidated Financial Statements

December 31, 1983

Note 1 Authority

The Alberta Government Telephones Commission operates under the authority of The Alberta Government Telephones Act, Chapter A-23, Revised Statutes of Alberta 1980.

Note 2 Summary of Significant Accounting Policies

(a) Telephone Property

Telephone property is recorded at original cost and includes materials, direct labour, certain general overhead costs associated with construction activity and interest on funds utilized during construction. Materials and supplies are valued substantially at average cost.

The Commission continually reviews the application of the capitalization policy with respect to general overhead costs in accordance with accounting standardization policies of the Telecom Canada companies.

Resulting from this review, no changes in capitalization of general overhead costs were made in 1983.

(b) Depreciation

Depreciation is provided on a straight-line basis using rates determined by a continuing program of engineering studies, calculated to allocate to operations the cost of groups of property with equal service lives over the estimated useful lives of the groups.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation. Gains or losses on disposal of depreciable telephone property are allocated to operations over the remaining estimated useful lives of appropriate property groups.

When depreciable telephone property subject to resale in the ordinary course of business (such as customer premise equipment) is sold, the original cost of such property less accumulated depreciation is netted against sale proceeds and the difference is reflected in Other Operating Revenues.

The composite depreciation rate for the year ended December 31, 1983 was 7.89% compared to 8.49% for the previous year. Total depreciation of $234 389 000 (1982 $231 089 000) includes $13 957 000 (1982 $10 344 000) distributed to other operating expenses and $2 886 000 (1982 $2 608 000) distributed to telephone property.

(c) Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date.

Realized exchange gains or losses are reflected in net income for the year.

Unrealized exchange gains or losses are deferred and amortized over the remaining lives of the related assets and liabilities.

(d) Deferred Revenue

Deferred revenue relates to the capital cost of equipment rented under operating leases and is recognized as income on a straight-line basis over the estimated useful life of the equipment.

(e) Amortization

Deferred charges, discounts or premiums on long-term monetary assets and liabilities are amortized on a straight-line basis over the remaining lives of the related assets and liabilities.

Intangible Assets are amortized on a straight-line basis over a specified period.

(f) Investment in Leases

Finance income related to sales-type leases is taken into income over the lease term to produce a constant rate of return on the investment in the lease.

(g) Consolidation

These consolidated financial statements include the accounts of wholly-owned subsidiaries, Alberta Telecommunications International Ltd., Alta-Can Telecom Inc., 288922 Alberta Ltd. (together with its wholly-owned

subsidiary 288951 Alberta Ltd.). Also included is 288951 Alberta Ltd.'s pro rata portion of the assets, liabilities, income and expenses of its unincorporated joint venture with NOVA, AN ALBERTA CORPORATION. All significant transactions between these companies included in the consolidation have been eliminated.

Note 3 Intangible Asset

The intangible asset represents the excess of the cost of acquiring a directory publishing business in January, 1983 over the value of the identifiable net assets at the date of acquisition. This amount is being amortized on a straight-line basis over a period of three years commencing from the date of acquisition.

Note 4 Investments

Investments consist of the following:

(thousands of dollars)	1982
Telesat Canada 279 900 common shares without par value, at cost	$ 2 799 000
Elinca Communications Ltd., 2 common shares without par value, at cost	2
Idacom Electronics Ltd. (held by Alta-Can Telecom Inc.) 30 395 common shares without par value, at cost	—
NovAtel Communications Ltd. (formerly Westech Systems Ltd.) 44.5 (1982 - 59.78) common shares without par value	203 795
500 (1982 - 667) non-voting preferred shares, par value $100, at cost	66 700
	$ 3 069 497

The common and preferred shares of NovAtel Communications Ltd. are equally owned by the Commission and NOVA, AN ALBERTA CORPORATION (1982 - 67.2% owned by the Commission). NovAtel was appointed the operator of the AGT/NOVA Joint Venture on January 14, 1983. The common shares of NovAtel Communications Ltd. have been valued using the equity method. In 1982 these shares were valued at the lower of net realizable value or equity method value.

Note 5 Net Investment in Leases

The net investment in leases results from the sale of assets to customers under a lease purchase plan. Principal due within one year has been reclassified under current assets.

Net investment in leases consists of the following:

(thousands of dollars)	1982
Total minimum lease payments receivable	$ 1 327
Unearned income	(363)
	964
Less: current portion	241
	$ 723

Note 6 Deferred Charges

Unamortized deferred charges consist of the following:

(thousands of dollars)	1982
Unrealized exchange loss, net	$ 22 822
Debenture discounts	9 075
Other	262
	$ 32 159
Amortization charged to net income for the year	$ 4 564

Note 7 Long-Term Debt

Long-term debt is summarized as follows:

(thousands of dollars)	1982
Debentures payable in United States funds, maturing 1984 to 1996, bearing interest at 4.75% to 9.50%	$ 212 850
Exchange premium, net, at dates of issue	13 459
Unrealized exchange loss	37 625
	263 934
Debentures payable in Canadian funds, maturing 1984 to 2003, bearing interest at 5.25% to 17.75%	1 970 396
Mortgages payable in Canadian funds, repayable in monthly instalments, maturing 1984 to 1999, bearing interest at 6.00% to 11.50%	16 112
	1 686
Less: Principal included in current liabilities	14 426
	$ 2 248 756

(a) Debentures are unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.

(b) In accordance with debenture deeds, certain issues require annual sinking fund contributions of 1.50% to 2.00% of the principal amounts outstanding. Contributions are required during periods varying from 15 to 25 years before maturity.

(c) Certain debentures have early redemption provisions at the Commission's option during periods prior to maturity varying from 2 to 4 years for Canadian dollar issues and 10 to 13 years for United States dollar issues.

(d) Amounts of debentures repayable within one year are classified as long-term debt inasmuch as it is anticipated that payments will be made from the proceeds of refinancing rather than from current assets.

(e) Anticipated requirements to meet long-term debt repayments and sinking fund provisions during the next five years (excluding exchange on debt repayments to be made in United States funds), are as follows:

(thousands of dollars)

Year	Debenture Redemptions	Mortgages	Sinking Fund Provisions	Total
1984	$ 151 129	$ 1 548	$ 23 642	$ 176 319
1985	102 871*	364	23 642	126 877
1986	126 241	396	23 442	150 079
1987	376 302	431	23 442	400 175
1988	1 367	469	23 442	25 278
	$ 757 910	$ 3 208	$ 117 610	$ 878 728

*A $100 million debenture issue due in 1985 with maturity date extendible to 1991 at the option of the holder is included in the 1985 debenture redemptions amount.

Note 8 Sinking Fund Assets

Sinking fund assets relate to the Commission's debenture debt and consist of the following:

(thousands of dollars)	1982
Investments:	
Debentures, at amortized cost:	
Government of Canada, direct and guaranteed	$ 78 453
Provincial, direct and guaranteed	34 135
	$ 112 588
(Approximate market value: 1983 $163 826; 1982 $121 853)	
Investment in the Commission's own debentures, at amortized cost	59 855
Unrealized exchange gain	5 995
Cash	94
Short-term investments	14 700
Accrued interest	5 040
	$ 198 272

Note 9 Other Operating Revenues

Other operating revenues consist of the following:

(thousands of dollars)	1982
Directories	$ 21 051
Rentals	14 922
Net Sales	12 081
Miscellaneous	2 472
	$ 50 526

Note 10 Pension Fund

The Commission makes regular contributions to The Alberta Government Telephones Employees' Pension and Death Benefit Fund which provides service pensions calculated as a function of earnings and years of service. An actuarial review as at December 31, 1982 indicated that the assets of the Fund together with the contributions expected to be received from the members of the Fund are sufficient to provide the benefits under the Fund as they fall due. Pursuant to amendments made to the Pension Fund which were approved by an Order in Council, the Commission was not required to make regular contributions for the calendar year 1983. The amount of such contributions would have been $22 179 000, of which $18 046 000 would have been expensed.

Note 11 Other Income

Other income consists of the following:

(thousands of dollars)	1982
Sinking fund income	$ 19 753
Interest capitalized during construction	17 159
Dividends from investment in Telesat Canada Shares	280
Miscellaneous	13 923
	$ 51 115

Note 12 Interest and Other Deductions

Interest and other deductions consist of the following:

(thousands of dollars)	1982
Interest and exchange on long-term debt	$ 235 766
Amortization of unrealized exchange loss, net	2 673
Amortization of debenture discount	1 818
Other deductions	2 103
	$ 242 360

Note 13 Extraordinary Items

The technology developed by AGT and Westech Systems Ltd. for the AURORA cellular mobile radio telephone system was sold to the joint venture with NOVA, AN ALBERTA CORPORATION. The realized net proceeds amounted to $4 788 000 and are shown as a gain on the sale of assets in 1983.

On December 31, 1983 the Commission and the City of Edmonton exchanged local telephone service and associated assets pursuant to the provisions of the AGT — edmonton telephones Act and a subsequent agreement. AGT sold assets located within the boundaries of the City of Edmonton and acquired assets located outside those boundaries. The excess of the net sales proceeds over the net book value and related expenses amounted to $3 257 000.

Note 14 Commitments

The Commission is committed to aggregate rental payments of $11 642 000 under realty leases having an initial term of more than one year. Minimum annual rental payments during the next five years are as follows:

(thousands of dollars)

Year	Rental payments
1984	$ 3 511
1985	2 676
1986	2 095
1987	1 045
1988	590

Note 15 Contingent Liabilities

There are contingent liabilities in respect of claims and pending lawsuits, which have not been provided for in these statements. The probable outcome and amounts are not determinable by the Commission.

Note 16 Subsequent Events

On February 10, 1984 the City of Edmonton filed a Statement of Claim in the Court of Queen's Bench of Alberta alleging inadequate payment from toll revenue involving customers served by 'edmonton telephones'. The amount claimed is $116 860 000 plus interest. Since February 14, 1984 'edmonton telephones', under direction from the City of Edmonton, has been withholding information relating to toll messages originating from customers within the City of Edmonton. AGT has subsequently filed a Statement of Claim against the City of Edmonton to cover potential loss of revenue and increased billing, collection and operating costs.

Note 17 Comparative Figures

The 1982 figures have been restated where necessary to conform to 1983 presentation.

Note 18 Approval of Financial Statements

These financial statements were reviewed by the Audit Committee of The Alberta Government Telephones Commission on February 28, 1984 and recommended for approval by the Commission.

Historical Summary

	1982	1981	1980
CORPORATE STATISTICS			
SUBSCRIBER LINES IN SERVICE	723 667	705 352	658 292
NUMBER OF TELEPHONES			
System Owned	1 302 519	1 333 358	1 218 356
Private System	479 589	498 366	469 035
TELEPHONE GAIN (LOSS) (Note 1)	(30 839)	115 002	101 752
CENTRAL OFFICE EXCHANGES	424	408	402
LONG DISTANCE MESSAGES (in thousands)	205 420	198 930	177 788
TOTAL NUMBER OF EMPLOYEES	12 814	13 429	12 326
FINANCIAL ITEMS *(in thousands)*			
TOTAL PAYROLL	351 061	307 995	258 790
TOTAL REVENUES	825 346	734 462	636 828
TOTAL EXPENSES (Note 2)	881 822	733 406	612 080
NET INCOME (LOSS) (Note 3)	(56 476)	1 056	24 748
IMBEDDED COST OF DEBT (OUTSTANDING PROCEEDS)	12.35%	11.28%	9.87%
LONG TERM DEBT	2 248 756	1 916 270	1 644 034
TOTAL PLANT INVESTMENT	2 976 148	2 657 077	2 244 861
CAPITAL EXPENDITURES	473 516	480 014	380 957

1979	1978	1977	1976	1975	1974
606 648	560 920	521 316	486 896	458 673	427 017
1 116 604	1 017 254	930 392	856 761	787 825	716 996
437 204	405 649	374 437	349 885	329 734	304 995
99 350	86 872	73 621	68 936	70 829	71 909
398	387	379	375	373	369
148 957	126 654	109 456	95 522	92 171	80 925
11 229	10 696	10 357	9 958	9 572	8 535
214 825	189 045	169 841	149 661	127 542	94 179
529 018	443 471	367 811	307 801	239 786	195 600
504 636	427 600	363 950	306 367	242 481	191 710
24 382	15 871	3 861	1 754	(2 695)	3 890
8.93%	8.68%	8.35%	8.10%	7.84%	7.55%
1 437 719	1 303 090	1 167 911	1 036 982	885 754	685 395
1 932 576	1 678 979	1 476 011	1 289 070	1 101 687	881 250
314 313	261 070	246 186	243 898	254 980	163 774

NOTES:

1. Effective July 12, 1982 a plan was introduced to allow AGT customers, for the first time, to own or rent their own voice terminal equipment, and to purchase this equipment from suppliers other than AGT.
2. Total Expenses comprises Total Operating Expenses, Interest and Other Deductions, less Other Income.
3. 1976 Net Income includes a $320 296 gain on disposal of land.
   1983 Net Loss includes gains on sales of assets totalling $8 045 000.

Chairman	*H.B. Hobbs*
President	*J.A. Barnes*
Vice-President Operations	*J.R. McDonald*
General Operations Manager South	*J.W. Thiessen*
General Operations Manager North	*H. Mandryk*
General Operations Services Manager	*H.W. Schroder*
General Customer Relations Manager	*F.C. Davies*
General Security & Claims Manager	*A.W. Reimer*
Vice-President Finance	*D.F. Baillie*
Comptroller & Treasurer	*F.J. Parrotta*
General Counsel	*S.N. Douglas*
General Pension Administration Manager	*B.N. Munro*
Director Pension Fund Investments	*R.G. Bertram*
General Systems & Methods Manager	*G. Bidulock*
Vice-President Corporate Planning & Engineering	*H.M. Neldner*
Assistant Vice-President Corporate Planning & Development	*J.E. Fyles*
General Network Planning & Design Manager	*J.D. McDonald*
General Network Implementation & Staff Manager	*G.S. Raitt*
General Corporate Planning & Development Manager	*P.G. McLean*
General Public Relations Manager	*N.G. Sarofen*
Vice-President Marketing & Personnel	*J. Szaszkiewicz*
General Manager Altel Data	*H.G. Stech*
General Manager Mobile Communications	*E.A. Tucker*
General Manager Business Communications	*J.S. Kortbeek*
General Customer Sales & Services Staff & Business Networks	*R.M. Homulos*
Directory Manager	*S.T. Noble*
General Personnel Manager	*W.R. Stuart*

H.B. Hobbs	*Chairman*
J.A. Barnes	
R.A. Bickell	
J.W. Burrows	
A.F. Collins	
W.A. Graham	
V.A. MacNichol	
F.S. Weatherup	
W.A. Graham	*Chairman*
D.F. Baillie	
F.J. Parrotta	
V.A. MacNichol	
A.F. Collins	
R.A. Bickell	

J.W. Burrows	*Chairman*
R.A. Bickell	
D.F. Baillie	
A.F. Collins	
H.M. Neldner	
F.S. Weatherup	*Chairman*
W.A. Graham	
J. Szaszkiewicz	
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AGT

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POOR

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